

# The role of bonds today in multi asset portfolios

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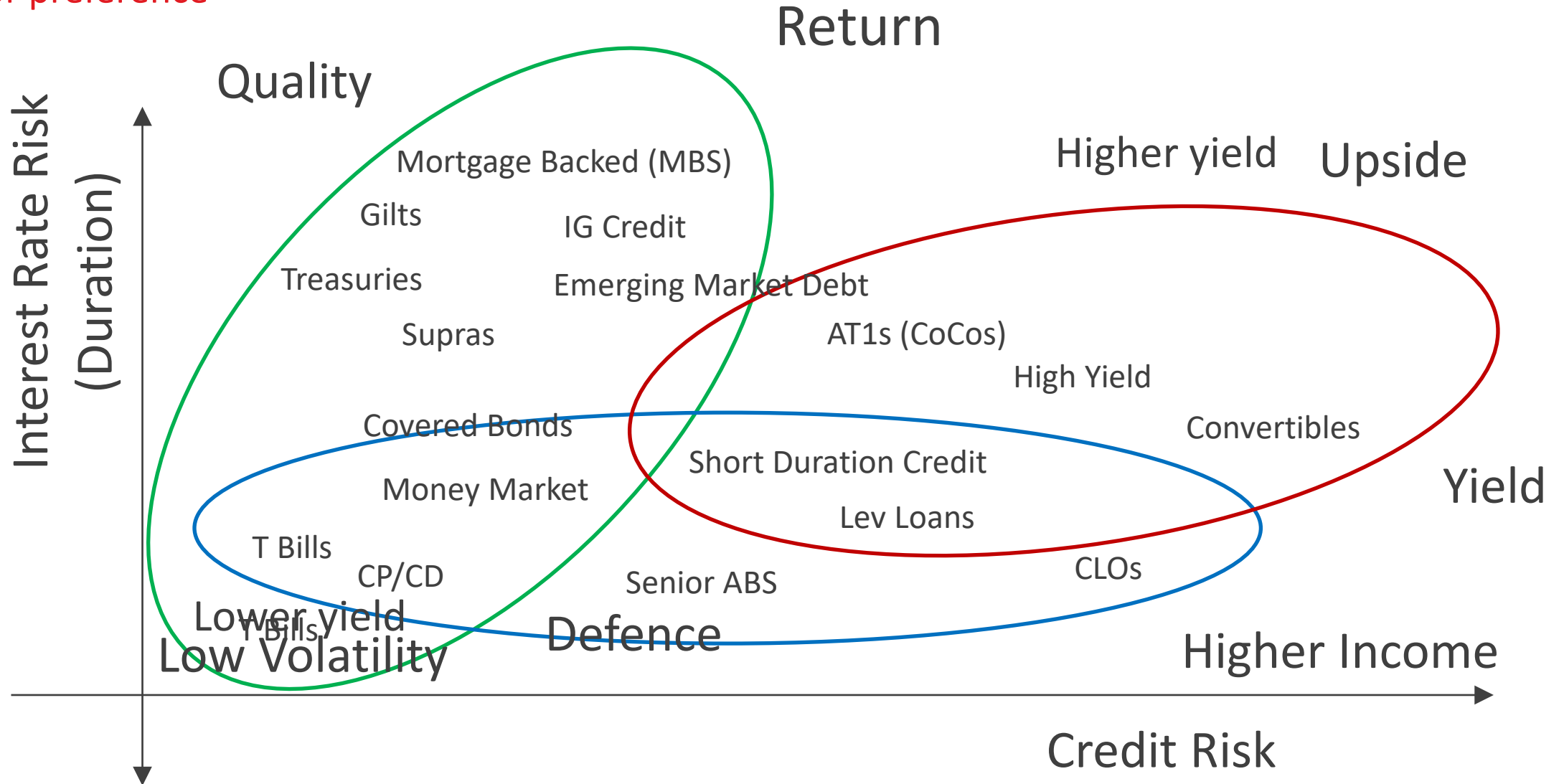
- The bond landscape – a reminder
- Risk free return – the comeback kid
- Bonds on sale – back to school bargains
- Protection – bumps in the road ahead?

# The bond landscape

# The bond palette

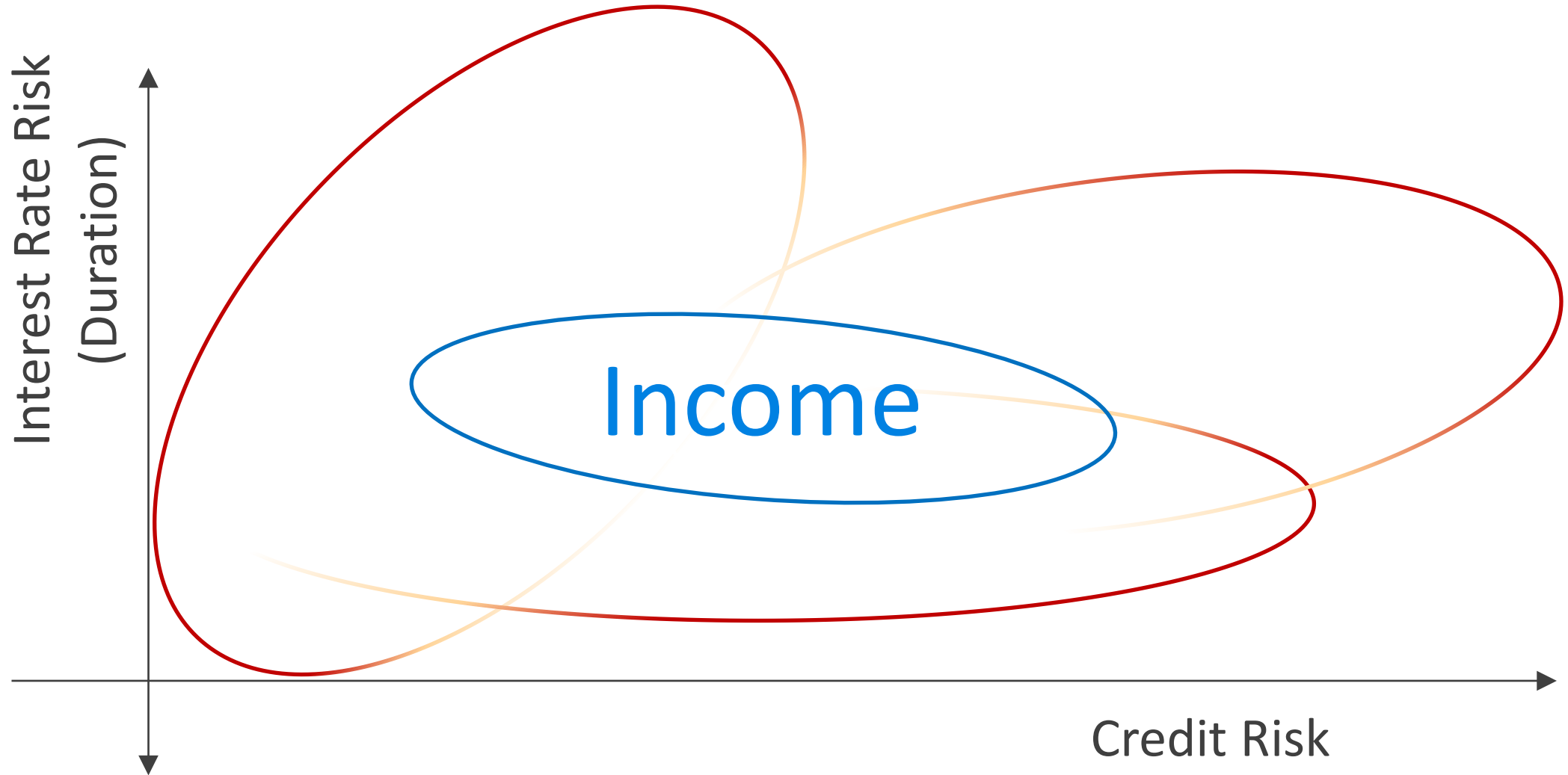


Investor preference



# The bond palette

Investor preference



Risk free return



9.2%

US Treasury duration (years)

7.2yrs

# RISK FREE RETURN?

4.5yrs

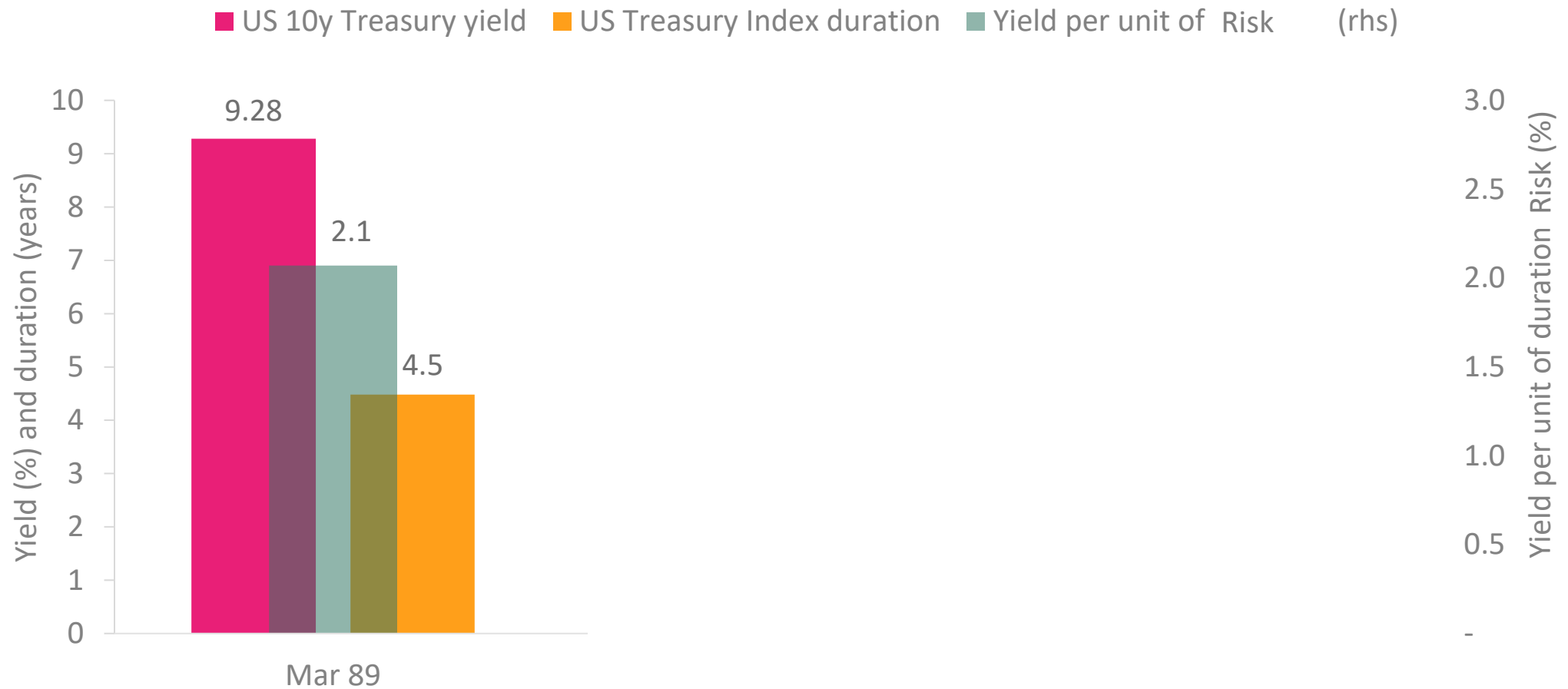
10yr US Treasury Yield

0.5%

# Risk and return



## Returning to a more normal balance



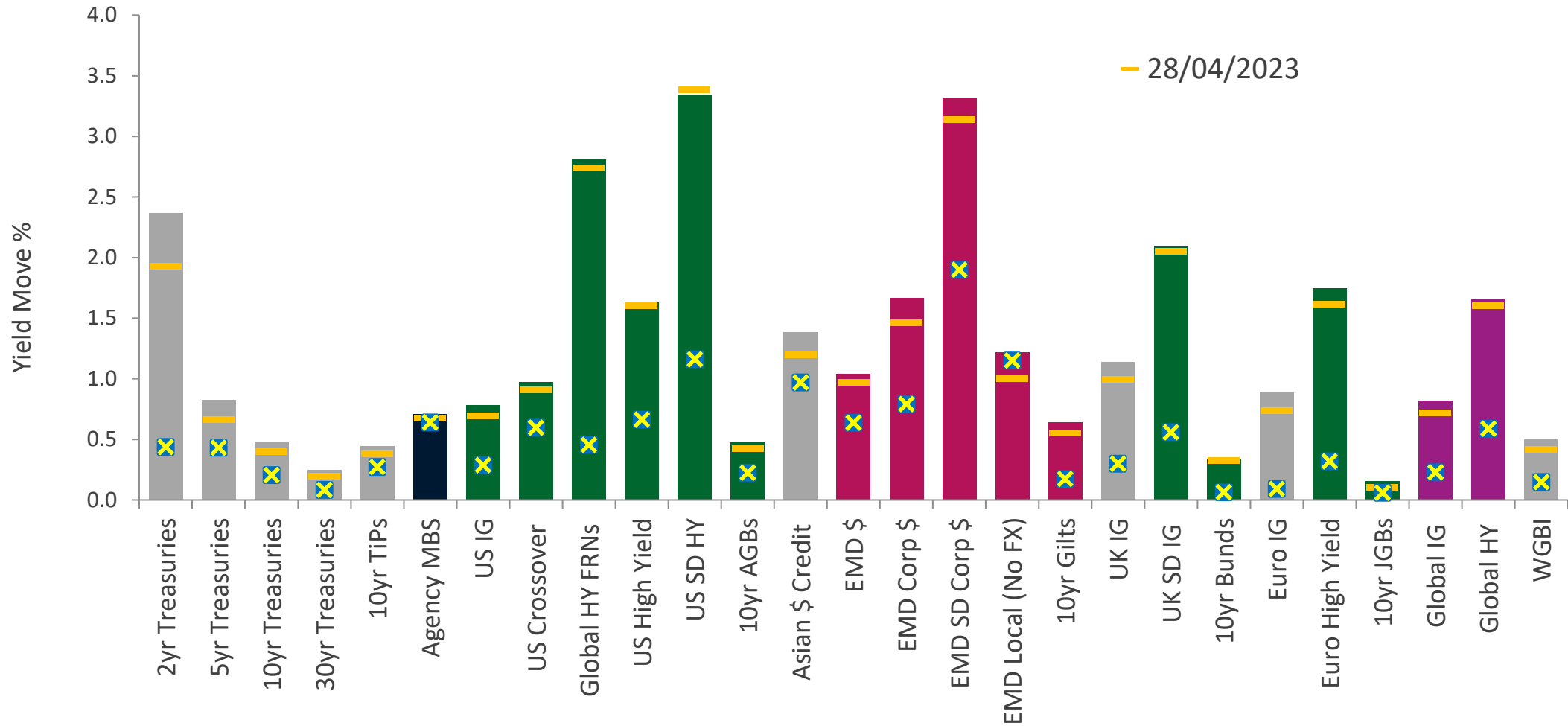


# Risk and return



Extra cushion today

## 12m asset class breakeven yields



Source: Momentum Investments. As at 31 Aug 2023. Chart shows for each asset class, by how much yields need to rise, such that the 12m holding period total return would be pushed into negative territory

Bonds on sale

# Bonds on sale



Deeply discounted bond prices - the 'pull to par' effect

ICE BoAML 7-10yr Gilts index par weighted price

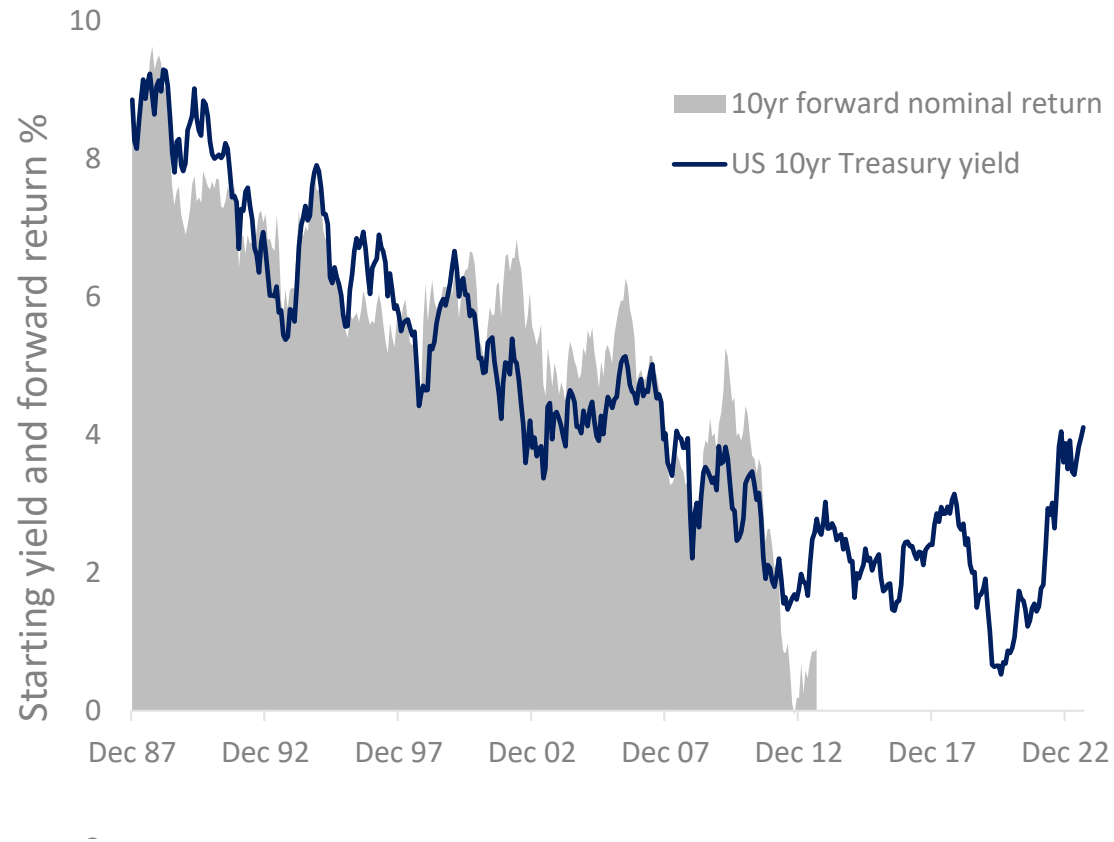


# Higher yields portend higher returns

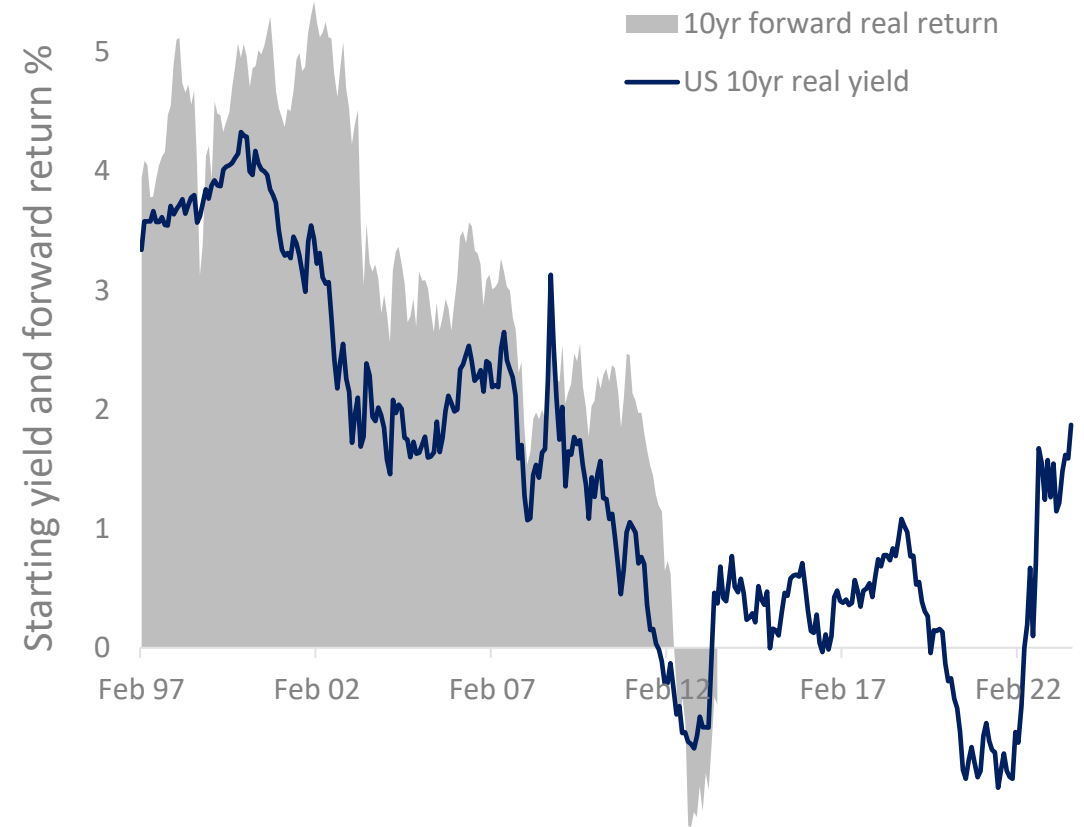


Starting yields are a good indicator of forward total returns

### US 10 year nominal treasuries



### US 10 year TIPS



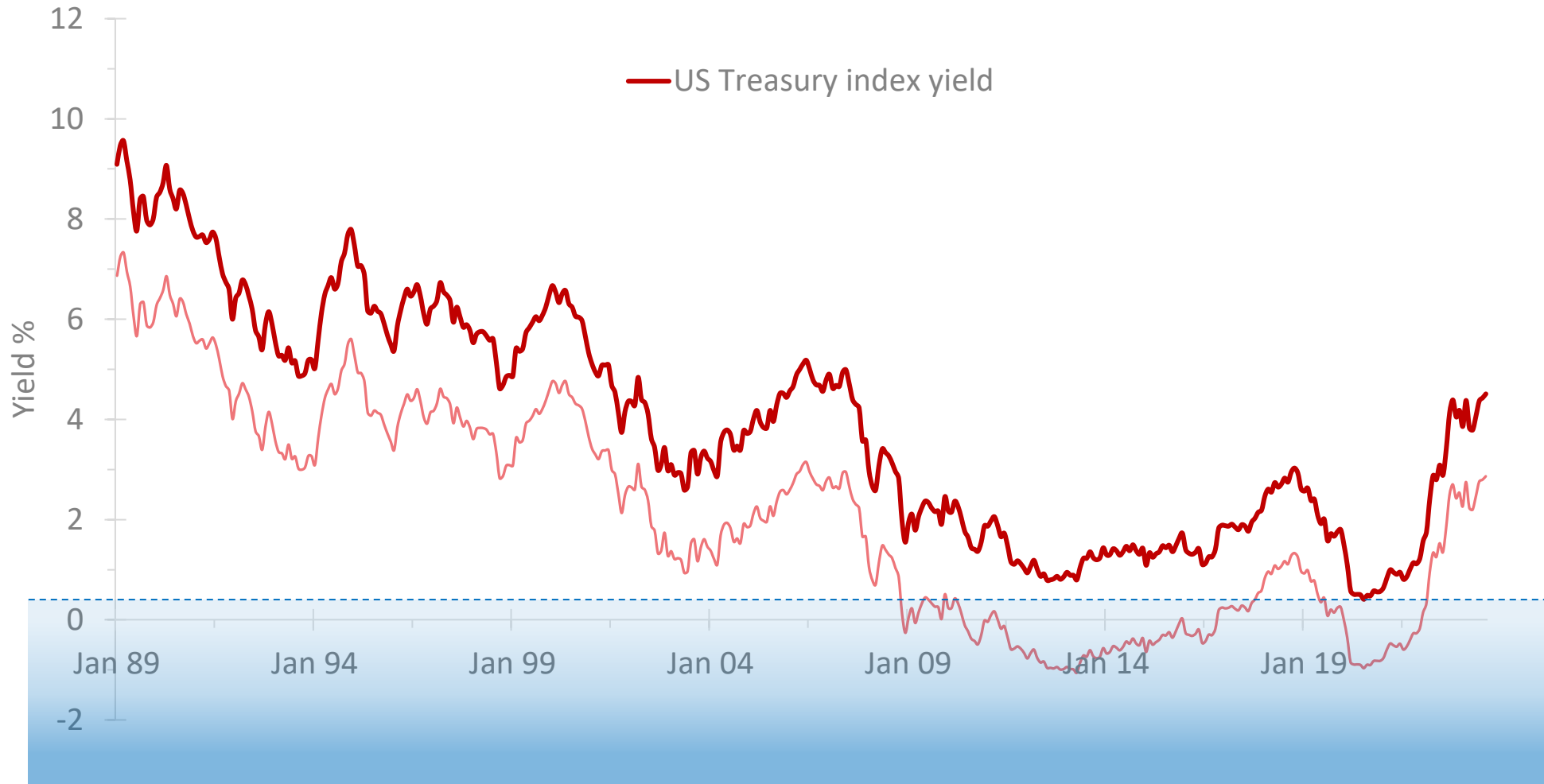
Protection

# Bonds as ballast



Room for yields to fall

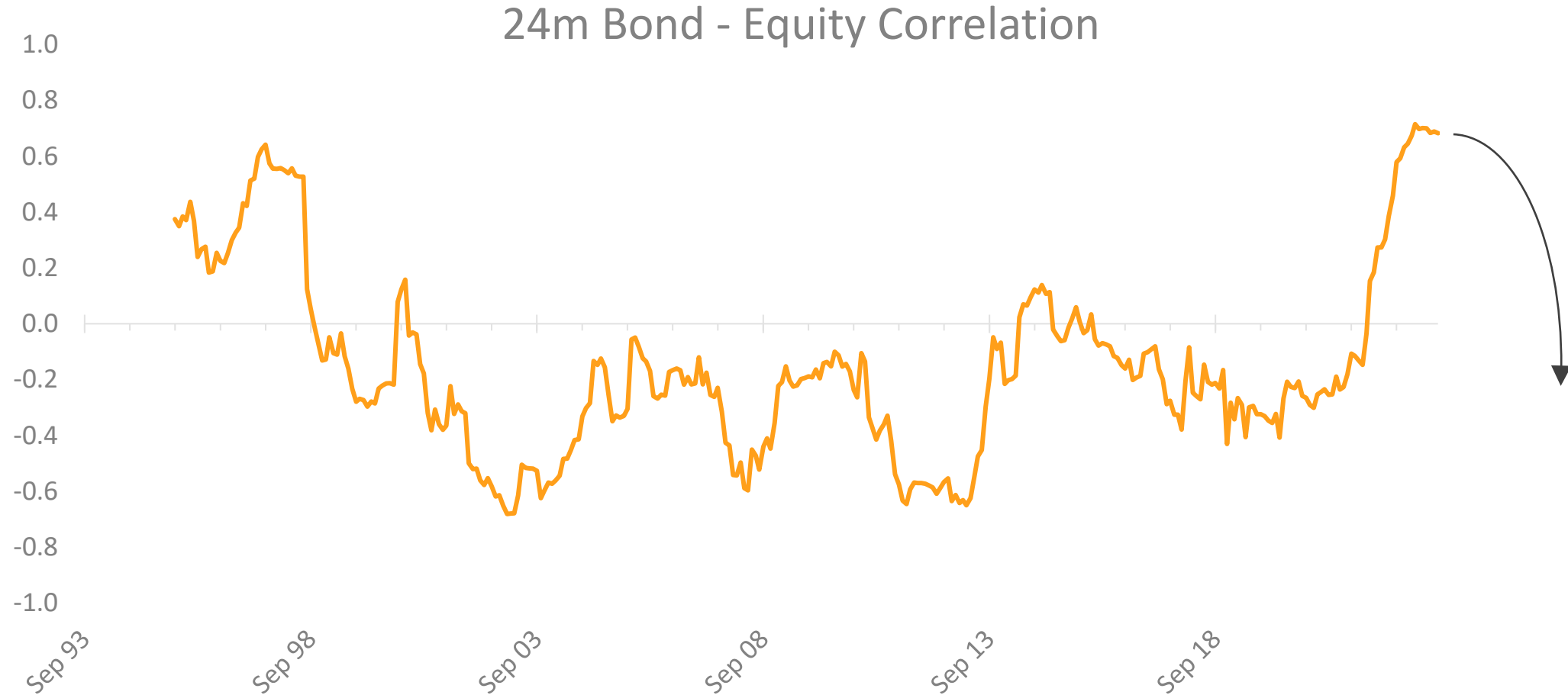
## Yield fall required for a 10% gain in treasury bonds



# Peak correlation?



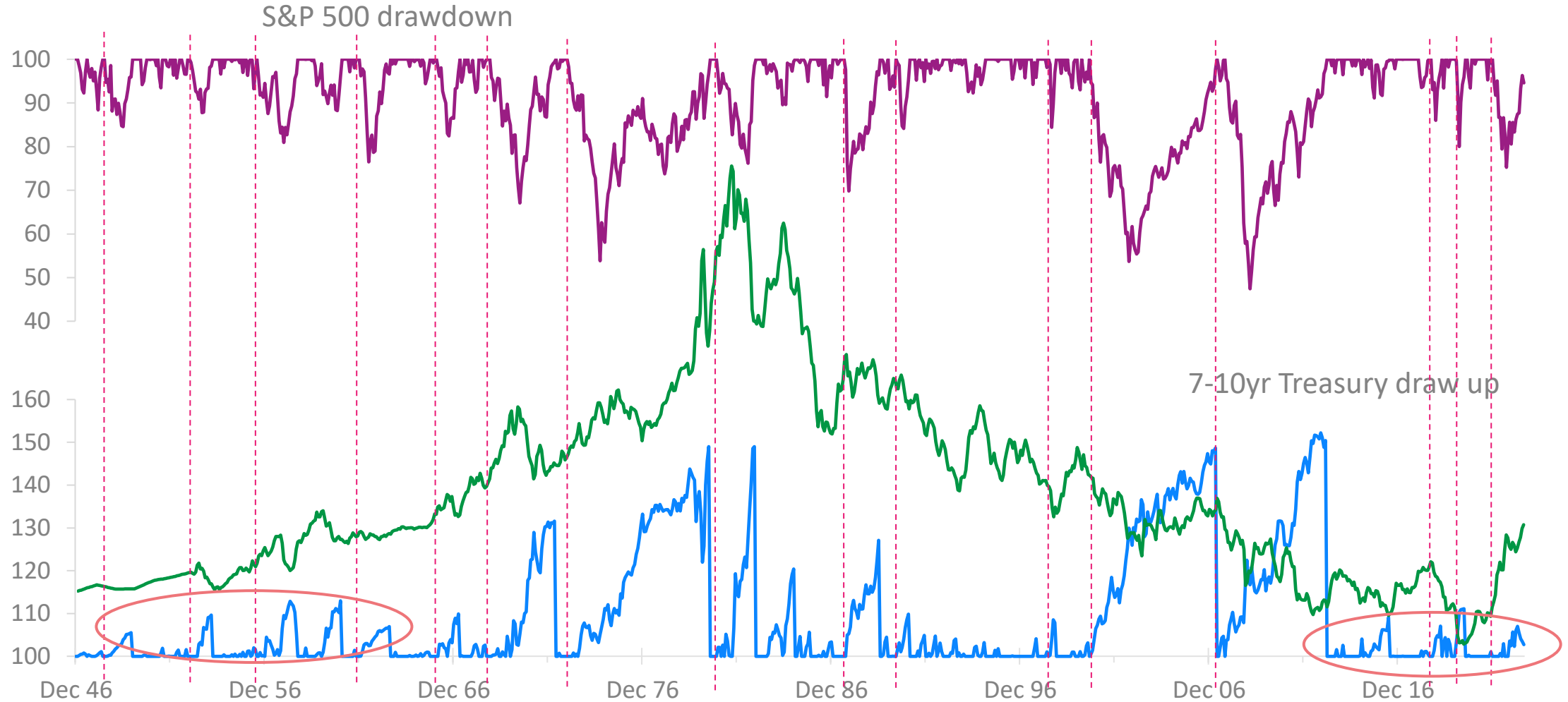
Bonds less of a risk off catalyst from here, more the cure



# Draw down, draw up



The natural offset of bonds to risk assets





- The bond landscape – protection, upside, income
- Risk free return, returns
- Bonds on sale – discounts and pulls to par
- Protection – diversification utility

**Thank you**

*Virtual*

**THINK-TANK**

**2023**



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